

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Genesee County 9-1-1 Consortium Commission	County Genesee
Audit Date September 30, 2004	Opinion Date October 31, 2004	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

BKR Dupuis & Ryden

Street Address

111 E. Court Street, Suite 1A

City

Flint

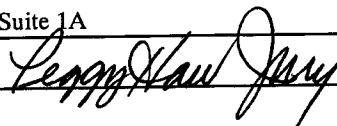
State

MI

ZIP

48502

Accountant Signature



Peggy Haw Jury, CPA

Financial Statements
Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan
September 30, 2004
with Independent Auditors' Report

**Genesee County 9-1-1 Consortium Commission
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2004**

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Introductory Section

**Genesee County 9-1-1 Consortium Commission
List of Appointed Officials**

Board of Directors

Donald Papineau, Montrose Township	Chairman
Randy Byrne, Grand Blanc	Vice Chair
Bob Neumann, Swartz Creek	Treasurer
Vernon Burns, Flint Township	Member
Kurt Soper, Davison Township	Member
Eldon Dunklee, Montrose	Member
Jakki Sidge, Goodrich	Member
Scott Streeter, Genesee Township	Member
Valerie Pace, Otisville	Member
Robert Pickell, Genesee County Sheriff	Member
F/Lt. Diane Garrison, State Police Designee	Member
Fred Shaltz, Genesee County Board of Commissioners	Member
Rose Bogardus, Genesee County Board of Commissioners	Member

General Membership

Marcia Cline	Linden
Teresa Onika	Goodrich
Mike Harvey	Clayton Township
Kurt Soper	Davison Township
Bonnie Mathis	Fenton Township
Vernon Burns	Flint Township
Andrew Trogot	Flushing Township
Valerie Pace	Otisville
Paul Fortino	Gaines Township
Scott Streeter	Genesee Township
Jeff Zittel	Grand Blanc Township
Donald Papineau	Montrose Township
Larry Foster	Mt. Morris Township
Bob Neuman	Mundy Township
Jim Jacques	Richfield Township
Luther M. Hatchett	Thetford Township
Anthony McKerchie	Vienna Township
Gary Isham	Burton
David Forystek	Clio
Pete Auger	Davison
Dennis Bow	Flushing
Randy Byrne	Grand Blanc
Dale Martin	Linden
Eldon Dunklee	Montrose
Reid Charles	Mt. Morris
Paul Bueche	Swartz Creek
Russell Morse	Valley of Gaines
Jakki Sidge	Goodrich
Arden Hudson	Otisville
Fred Shaltz	Genesee County

**Genesee County 9-1-1 Consortium Commission
List of Appointed Officials - (continued)**

Advisory Board

Fred Thorsby, Mt. Morris.....	Chairman
Roger Bobb, Genesee Township.....	Vice Chair
William Miller, Gaines Township.....	Member
Richard Cupit, Mundy Township.....	Member
John Moulton, Fenton Township.....	Member
Jim Vogt, Mt. Morris.....	Member
Boyd Skellenger, Richfield Township.....	Member
Doug Kennedy, Flushing.....	Member
Bill Brandon, Davison.....	Member
Donald Papineau, Montrose Township.....	Member
Lloyd R. Fayling, 9-1-1 Consortium.....	Member
Bruce Trevithick, Genesee County Medical Control.....	Member

Advisory Board (Alternates)

Ron Herzberg	Flushing
John Newcomer	Montrose
Mark Udell	Burton
Jim Iacovacci	Flint Township

Financial Section

Independent Auditors' Report

Genesee County 9-1-1 Consortium Commission Board
Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan

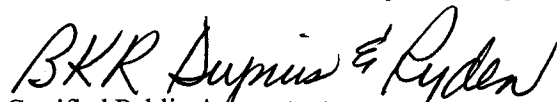
We have audited the financial statements of the governmental activities and the fiduciary fund information of the Genesee County 9-1-1 Consortium Commission (Consortium) as of September 30, 2004 and for the year then ended, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IB, the Consortium has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of September 30, 2004.

In our opinion, the basic financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of the Genesee County 9-1-1 Consortium Commission at September 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 and 5 and the information in the required supplementary information on pages 20 and 21 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants
Flint Office

November 2, 2004

**Genesee County 9-1-1 Consortium Commission
Management's Discussion and Analysis**

This section of the Genesee County 9-1-1 Consortium Commission's annual financial report presents our discussion and analysis of the Consortium's financial performance during the fiscal year that ended on September 30, 2004. Please read it in conjunction with the Consortium's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No.34

The Genesee County 9-1-1 Consortium Commission is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the Genesee County 9-1-1 Consortium Commission is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the Genesee County 9-1-1 Consortium Commission to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The Genesee County 9-1-1 Consortium Commission will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds.

Financial Highlights

- The Consortium's Total Net Assets are \$17,517,458.
- During the year, the Consortium's expenses of \$3,348,018 were \$1,325,294 less than the \$4,673,312 generated in telephone service fees and other revenues for governmental programs.
- The Consortium's over-all unreserved net assets were \$13,748,768 in fiscal year 2004.
- The Consortium's net assets invested in capital assets are \$3,768,690.
- The Consortium's available cash and investments to be used to pay for future operations were \$12,821,585.
- The Consortium's investments in the Capital Project fund was \$333,723.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Basic Financial Statements

The basic financial statements provide detailed information about the Consortium's two funds and the Consortium as a whole. Funds are accounting devices that the Consortium uses to keep track of specific sources of funding and spending for particular purposes.

- The General Fund is required by State law.
- The Consortium establishes other funds to control and manage money for particular purposes (like the Capital Improvement Fund).

The Consortium has two kinds of funds:

- Governmental funds – Most of the Consortium's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Consortium's programs.
- Fiduciary fund – The Consortium is responsible for ensuring that the assets reported in this fund are used for its intended purposes. All of the Consortium's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We excluded this activity from the Consortium's net assets because the Consortium cannot use these assets to finance its operations.

Financial Analysis

Per State of Michigan requirements non-wireless and wireless revenue and expenses are separately shown on the Statement of Activities. At September 30, 2003, there were the following fund balance reserves: wireless expenses - \$7,814 and education wireless expenses - \$8,397. Both these reserves were spent in full during fiscal 2004. Any unspent wireless service fees and unspent wireless education income at September 30, 2004 have been shown as a fund balance reservation in the General Fund. At September 30, 2004, there were no unspent wireless funds and \$13,101 of unspent wireless education funds.

Governmental Activities

The Consortium took major actions this year to secure land leases for towers, secure a lease for a tower, and enter into a contract with Motorola for the 800 MHZ trunked digital simulcast radio system. An initial payment of \$1,520,650 was made to Motorola on the total contract of \$9,872,849. A contract was also entered into with Alcatel for \$1,023,889 to supply related equipment for the 800 MHZ. Both of these contracts are to be paid for during fiscal 2005 and 2006 from accumulated resources. A prepayment of \$200,000 was made to U of M Channel 28 during the current fiscal year on the tower lease.

The land leases are for 20 year periods and are to be paid at varying rates over the same period of time.

General Fund Budgetary Highlights

The budget for 2003 - 04 was passed in September 2003 and amended September 2004.

Capital Assets

At the end of 2004, the Consortium had invested \$3,768,690 in capital assets with no off-setting debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34.

Contacting the Consortium's Financial Administration

This financial report is designed to provide our customers and investors and creditors with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Genesee County 9-1-1 Consortium Commission's Director, Lloyd Fayling at G-4481 Corunna Road, Flint, Michigan 48532.

Basic Financial Statements

Genesee County 9-1-1 Consortium Commission
Statement of Net Assets and
Governmental Funds Balance Sheet
September 30, 2004

	Governmental Fund Types		Total Governmental Funds
	General	Capital Project	
Assets			
Cash and cash equivalents	\$ 5,616,920	\$ -	\$ 5,616,920
Investments	7,204,665	333,273	7,537,938
Interest receivable	113,605	7,432	121,037
Due from other governments	352,197	-	352,197
Prepaid expenses	217,159	-	217,159
Capital assets, net	-	-	-
Total assets	\$ 13,504,546	\$ 340,705	\$ 13,845,251
Liabilities			
Accounts payable	\$ 7,789	\$ -	\$ 7,789
Accrued liabilities	88,694	-	88,694
Total liabilities	96,483	-	96,483
Fund balance/Net assets			
Fund balance:			
Reserved for prepaid expenses	217,159	-	217,159
Reserved for wireless expenses	-	-	-
Reserved for education wireless expenses	13,101	-	13,101
Reserved for capital outlay	-	340,705	340,705
Unreserved:			
Designated for future year expenditures	2,412,900	-	2,412,900
Undesignated	10,764,903	-	10,764,903
Total fund balance	13,408,063	340,705	13,748,768
Total liabilities, and fund balance	\$ 13,504,546	\$ 340,705	\$ 13,845,251
Net assets:			
Invested in capital assets			
Unreserved			
Total net assets			

See notes to financial statements.

Adjustments (Note II A)	Statement of Net Assets
\$ -	\$ 5,616,920
-	7,537,938
-	121,037
-	352,197
-	217,159
3,768,690	3,768,690
3,768,690	17,613,941

-	7,789
-	88,694
-	96,483

(217,159)	-
-	-
(13,101)	-
(340,705)	-

(2,412,900)	-
(10,764,903)	-

(13,748,768)	-
--------------	---

(13,748,768)	96,483
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3,768,690	3,768,690
13,748,768	13,748,768

\$ 3,768,690	\$ 17,517,458
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**Genesee County 9-1-1 Consortium Commission
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended September 30, 2004**

	General	Capital Project	Total Governmental Funds
Expenditures/Expenses:			
Current:			
Non wireless:			
Salaries and wages	\$ 1,315,330	\$ -	\$ 1,315,330
Fringe benefits	553,680	-	553,680
Office supplies	9,598	-	9,598
Postage	1,690	-	1,690
Uniforms	4,461	-	4,461
Contract services	70,380	-	70,380
Accounting	8,273	-	8,273
Professional fees	13,633	-	13,633
Memberships	2,610	-	2,610
Miscellaneous	975	-	975
Insurance	45,553	-	45,553
Telephone	49,258	-	49,258
Utilities	19,964	-	19,964
Building maintenance	16,496	-	16,496
Equipment maintenance	923	-	923
Equipment service contracts	225,550	-	225,550
Equipment lease	3,746	-	3,746
Education and training	9,120	-	9,120
Contingency	4,668	-	4,668
Depreciation	-	-	-
Capital outlay:			
Communications equipment	1,666,500	-	1,666,500
Wireless:			
Salaries and wages	312,535	-	312,535
Education and training	12,009	-	12,009
Total expenditures/expenses	4,346,952	-	4,346,952
Program Revenues:			
Telephone service fees	4,350,183	-	4,350,183
Wireless service fees	304,721	-	304,721
Wireless education income	16,713	-	16,713
Other revenues	1,695	-	1,695
Total program revenues	4,673,312	-	4,673,312
Net program revenue	326,360	-	326,360
General Revenues:			
Interest	171,835	7,432	179,267
Excess of revenues over expenditures/expenses	498,195	7,432	505,627
Fund balance/net assets - beginning of period	12,909,868	333,273	13,243,141
Fund balance/net assets - end of period	\$ 13,408,063	\$ 340,705	\$ 13,748,768

See notes to financial statements.

Adjustments (Note II B)	Statement of Activities
\$ -	\$ 1,315,330
-	553,680
-	9,598
-	1,690
-	4,461
-	70,380
-	8,273
-	13,633
-	2,610
-	975
-	45,553
-	49,258
-	19,964
-	16,496
-	923
-	225,550
-	3,746
-	9,120
-	4,668
642,743	642,743
(1,641,677)	24,823
-	312,535
-	12,009
(998,934)	3,348,018
-	4,350,183
-	304,721
-	16,713
-	1,695
-	4,673,312
998,934	1,325,294
-	179,267
998,934	1,504,561
2,769,756	16,012,897
\$ 3,768,690	\$ 17,517,458

Genesee County 9-1-1 Consortium Commission
Statement of Net Assets
Fiduciary Fund
September 30, 2004

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 351
Liabilities	
Accounts payable	<u>351</u>
Net assets	<u><u>\$ - 0 -</u></u>

See notes to financial statements.

Notes to Basic Financial Statements

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

I. Summary of significant accounting policies

A. Reporting entity

The Genesee County 9-1-1 Consortium Commission (Consortium) was jointly created by agreement between Genesee County and various public agencies (Charter Townships of Flint, Clayton, Montrose, Grand Blanc, Genesee, Fenton, Mundy, Mt. Morris and Vienna; Townships of Davison, Richfield, Argentine, Forest, Atlas, Gaines, Thetford, and Flushing; Cities of Mt. Morris, Clio, Linden, Grand Blanc, Swartz Creek, Burton, Davison, Flushing, and Montrose; villages of Gaines, Goodrich and Otisville) pursuant to the Urban Cooperation Act and the 9-1-1 Act to administer and execute the Genesee County 9-1-1 Consortium Agreement, and to operate the Central Dispatch Public Safety Answering Point pursuant to designation from the Board of Commissioners. The Consortium's effective date of creation was March 1, 1997. The agreement shall terminate on the effective date upon which there are no longer at least two parties to the agreement.

One member is appointed by the governing body of each of the participating members of the consortium. These members collectively constitute the membership board. The Membership Board is required to adopt an annual operating budget for the operation of Central Dispatch and shall elect the elected director members of the Executive Board. The Executive Board shall consist of 13 members (nine of these members will be members of and elected by the Membership Board, the four other members shall be two members of the Board of Commissioners selected by the Board of Commissioners, a representative of the State Police designated by the Director of the State Police and the Genesee County Sheriff or his or her designated representative). Of the Elected Directors, six shall represent general law and charter townships, two shall represent cities and one shall represent villages. Persons holding Elected Director positions are removable by the Membership for reasonable cause.

Any party may withdraw from the Consortium, and thereby prospectively rescind or terminate the Consortium Agreement as to that party, by a formal majority vote of the governing body of the party, which approved withdrawal must also specify an effective date. The withdrawal may not be made effective, however, prior to one hundred eighty (180) days after the party has notified the Consortium of the approval of the withdrawal, or at the end of the Consortium's fiscal year within which the vote is taken, whichever is later. The withdrawing party's future financial obligations, if any, as an effective, and all interest the member may have in funds and other property of the Consortium, including but not limited to the equipment used in operating Central Dispatch, shall be forfeited. Financial obligations which have accrued as of the withdrawal must be paid by the withdrawing party.

The parties to the Consortium shall be assessed by the Membership Board their respective shares of any Central Dispatch costs which are within the proper cost and charge components of the emergency telephone charge under Section 102 of the 9-1-1 Act, MCL 484.1102, and which are not funded by the two emergency telephone charges or by non-parties to this Agreement, in these shares:

Genesee County	22%
Other Parties	78%

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

I. Summary of significant accounting policies - (continued)

A. Reporting entity – (continued)

The “Other Parties” will share the 78% on the basis of an average percent using state equalized value (SEV) and population. The percentages applied will be the respective percentages, of each Other Party, of the total SEV and the total population of all the Other Parties. This average percentage may be changed from time to time by the Executive Board when changes in the SEV or population occur, and shall be changed to reflect any addition to or deletion from the roster of Other Parties.

As to any period of operation during which Central Dispatch is not being operated by the Consortium, no Central Dispatch costs shall be assessed to the Members of the Consortium, the first paragraph of this Section notwithstanding, in excess of the greater of: 1) the costs provided for in the annual budget for Central Dispatch as adopted by the Membership Board; 2) costs reasonably required to maintain the type and quality of 9-1-1 service that was being provided by Central Dispatch.

B. Government-wide and fund financial statements

During the year ended September 30, 2004, the Consortium implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function. *Program revenues* include charges to customers who purchase, use, or directly benefit from services provided.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Charges for services associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include charges to customers for services.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Consortium's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the Consortium are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include office equipment and communication equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets – (continued)

Office equipment and communication equipment of the Consortium are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furniture	10
Computer equipment	5
Software	2-5
Communication equipment	10
Towers	20

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Capital assets	<u>\$3,768,690</u>
Net adjustment to increase <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$3,768,690</u></u>

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

II. Reconciliation of government-wide and fund financial statements – (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$1,641,677
Depreciation expense	<u>(642,743)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 998,934</u></u>

III. Stewardship, compliance, and accountability

Budgetary information

The Consortium follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, a proposed operating budget is submitted to the membership board for the year commencing October 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund. (This fund is required to have a budget per Michigan law).
2. The budget is legally adopted on a line item basis.
3. Budget appropriations lapse at year end, except for certain projects which are appropriated on a project length basis.
4. The original budget was amended during the year.

A log of telephone calls is maintained by type of caller for use in allocating expenses between non-wireless and wireless. For fiscal 2004, the split was wireless – 35.3% and non-wireless – 64.7%.

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

IV. Detailed notes on all funds

A. Deposits and investments

1. Deposits

At year end, the carrying amount of the Consortium's deposits was \$11,047,711 and the bank balance was \$11,055,445. The difference between the carrying amount and the bank balance was due to outstanding checks and deposits in transit that had not yet cleared the bank. Of the bank balance \$177,407 or 1.6% was covered by federal depository insurance. The remaining bank balance of \$10,878,038 or 98.4% was not covered by federal depository insurance. The carrying value noted above includes \$9,608,795 in certificates of deposits.

2. Investments:

The Consortium has adopted an investment policy. Funds of the Genesee County 9-1-1 Consortium will be invested in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, and in accordance the following objectives, safety of capital, diversification, liquidity and return of investment. In accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, the surplus of funds of the Consortium may be invested as follows:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, commercial paper, repurchase agreements, Bankers' acceptances of United States banks, Mutual funds, investment pools organized under the surplus funds investment pool act, 1982 PA 367, and the investment pools organized under the local government investment pool act, 1985 PA 121.

The Consortium has authorized the following depositories: Bank One, Republic Bank, Citizens Bank, State Bank, Fifth Third Bank, and Standard Federal Bank.

The Consortium's investments are categorized to give an indication of the level of risk assumed by the entity at year end. The categories are defined as follows: category 1 includes investments that are insured or registered, or for which securities are held by the Consortium or its custodial agent in the Consortium's name; category 2 includes uninsured and registered investments for which the securities are held by the broker's or dealer's trust department or agent in the Consortium's name; and category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent not in the Consortium.

	<u>C a t e g o r y</u>			<u>Carrying</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Value</u>
Repurchases					
agreement checking/					
sweep account	\$ -0-	\$ -0-	\$2,107,498	\$2,107,498	\$2,107,498

These investments are classified as cash equivalents in the general purpose financial statements.

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

IV. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of year end for the Consortium's general fund, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities:

	<u>General</u>
Receivables:	
Interest and dividends	\$121,037
Intergovernmental	<u>352,197</u>
	473,234
Gross receivables	
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u><u>\$473,234</u></u>

C. Capital assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Office and communication equipment	\$ 6,529,686	\$ 73,981	\$ -	\$ 6,603,667
Construction in progress	-	<u>1,567,696</u>	-	<u>1,567,696</u>
Total capital assets being depreciated	<u>6,529,686</u>	<u>1,641,677</u>	-	<u>8,171,363</u>
Less accumulated depreciation for:				
Office and communication equipment	<u>(3,759,930)</u>	<u>(642,743)</u>	-	<u>(4,402,673)</u>
Total capital assets, being depreciated, net	<u><u>\$ 2,769,756</u></u>	<u><u>\$ 998,934</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 3,768,690</u></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

Non-wireless	\$642,743
Wireless	<u>-</u>

Total depreciation expense – governmental activities \$642,743

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Communication project commitments:

The Consortium has active communication project commitments as of September 30, 2004. The project includes the purchase and installation of an 800 MHZ trunked digital simulcast radio system. At year end the Consortium's commitments are as follows:

<u>Vendor</u>	<u>Original Contract Amount</u>	<u>Paid to Date</u>	<u>Remaining Commitment</u>
Omnicon/RCC Consulting	\$ 199,647	\$ 141,706	\$ 57,941
Motorola	9,872,849	1,520,650	8,352,199
RCC Consultants	174,080	38,281	135,799
Alcatel	1,023,889	70,790	953,099

Preventive maintenance plan:

The Consortium also contracted with a company to provide an aggressive 3 year preventive maintenance plan for communication equipment at an annual rate of \$94,800. This contract is for labor only. Any service parts will be billed over and above the contract. The contract is for the period February 2004 through February 2007.

D. Operating leases

The Consortium has entered into agreements for the lease of land sites and the use of a tower under non-cancelable operating leases. A pre-payment of \$200,000 for the use of the U of M Channel 28 tower was required during fiscal 2004 to be amortized over the life of the lease.

The following is a schedule, by year, of the future minimum rental payments required under the non-cancelable operating leases as of September 30, 2004.

2005	\$ 6,001
2006	32,001
2007	28,001
2008	28,001
2009	28,001
2010 and after	<u>408,015</u>
Total minimum payments required	<u><u>\$530,020</u></u>

The Consortium also entered into a sublease agreement in July 2004 with a third party for the use of the land sites noted above. The third party will construct communication towers on the land sites. This lease also gives the Consortium the use of the towers that will be constructed on these sites by the third party. The maintenance and insurance of the towers will be maintained by the third party.

Rental expense for all operating leases for the year ended June 30, 2004, was \$4,668.

Genesee County 9-1-1 Consortium Commission
Notes to Financial Statements
September 30, 2004

V. Other information

A. Retirement plan

Full-time dispatchers and supervisors:

The Consortium has established the Genesee County 9-1-1 Consortium defined contribution pension plan administered by Manulife Financial. The plan covers all full-time employees, with the exception of the director and deputy director, of the Consortium with at least three months of service and who are at least eighteen years of age.

The employer contributes 10% of (total gross pay) employee compensation earned during the plan year for full-time dispatchers, the administrative clerk, and the computer technician. The employer contributes 15% of (total gross pay) employee compensation earned during the plan year for full-time supervisors, the computer administrator, and the administrative assistant. Each participant is 20% vested for each completed year of service to 100% for contributions made by the employer on their behalf. The plan does provide for employee contributions up to 10% for any employee who receives a 10% employer contribution. The plan also calls for a mandatory 5% employee contribution from all employees who receives a 15% employer contribution. During the year ended September 30, 2004, the Consortium contributed \$149,544 into the plan and employees contributed \$14,866 into the plan.

Director and Deputy Director:

The Consortium has also established the Genesee County 9-1-1 Consortium money purchase plan (Executive 401) administered by ICMA. The plan covers the director and deputy director of the Consortium with no service or age requirements.

The employer contributes 15% of (base pay) employee compensation earned during the plan year and the employee contributes 5%. There is no vesting period included in this plan. During the year ended September 30, 2004, the Consortium contributed \$21,546 into the plan and the director and deputy director contributed \$7,182.

457 plan:

The Consortium offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Consortium employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency.

The Consortium's plan administrator, ICMA, holds the assets of the plan within trusts. As a result, the plan's assets are not reflected on the financial statements since the Consortium has no fiduciary or administrative responsibility for these plans.

B. Risk management

The Consortium is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Consortium has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Consortium pays unemployment claims on a reimbursement basis.

Required Supplementary Information

Genesee County 9-1-1 Consortium Commission
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2004

	<u>Budgeted</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	
Revenues:			
Telephone service fees	\$ 4,636,000	4,336,000	\$ 4,350,183
Wireless service fees	265,000	306,000	304,721
Wireless education income	23,500	23,500	16,713
Earnings on investments and deposits	70,000	70,000	171,835
Other revenues	2,000	2,000	1,695
Total revenues	4,996,500	4,737,500	4,845,147
Expenditures:			
Current:			
Non wireless:			
Salaries and wages	1,483,229	1,468,579	1,315,330
Fringe benefits	588,286	606,286	553,680
Office supplies	15,000	15,000	9,598
Postage	2,000	2,000	1,690
Uniforms	4,000	4,600	4,461
Contract services	111,000	71,000	70,380
Accounting	8,500	10,500	8,273
Professional fees	31,000	31,000	13,633
Memberships	2,400	2,700	2,610
Miscellaneous	-	1,500	975
Insurance	50,000	50,000	45,553
Telephone	70,000	70,000	49,258
Utilities	23,950	23,950	19,964
Building maintenance	16,500	17,900	16,496
Equipment maintenance	3,500	3,500	923
Equipment service contracts	171,000	211,000	225,550
Equipment lease	6,500	6,500	3,746
Education and training	20,000	20,000	9,120
Contingency	25,000	25,000	4,668
Capital outlay:			
Communications equipment	4,185,000	4,185,000	1,666,500
Wireless:			
Salaries and wages	312,535	312,535	312,535
Education and training	21,000	21,000	12,009
Total expenditures	7,150,400	7,159,550	4,346,952
Excess (expenditures)			
revenues	(2,153,900)	(2,422,050)	498,195
Fund balance - beginning of period	12,909,868	12,909,868	12,909,868
Fund balance - end of period	\$ 10,755,968	\$ 10,487,818	\$ 13,408,063

See notes to financial statements.

**Variance
With Final
Budget
Favorable
(Unfavorable)**

\$	14,183
	(1,279)
	(6,787)
	101,835
	(305)
	<hr/>
	107,647
	<hr/>

153,249
52,606
5,402
310
139
620
2,227
17,367
90
525
4,447
20,742
3,986
1,404
2,577
(14,550)
2,754
10,880
20,332

2,518,500

-
8,991

2,812,598

(2,920,245)

-
\$ (2,920,245)

Fund Information

Genesee County 9-1-1 Consortium Commission
Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended September 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<hr/>				
Assets				
Cash and cash equivalents	\$ 351	\$ - 0 -	\$ - 0 -	\$ 351
	<hr/>			
Liabilities				
Accounts payable	\$ 351	\$ - 0 -	\$ - 0 -	\$ 351
	<hr/>			

October 31, 2004

To the Genesee County 9-1-1 Consortium Commission Board
Genesee County 9-1-1 Consortium Commission
Genesee County, Michigan

We have performed the audit of the general purpose financial statements of Genesee County 9-1-1 Consortium Commission (Consortium) for the year ended September 30, 2004, and have issued our report thereon dated November 2, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Consortium. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies used by the Consortium and described in Note 1 to the general purpose financial statements. During fiscal 2004, GASB 34 was adopted by the Consortium. We noted no transactions entered into by the Consortium during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed adjustments related to prepaid expenses and accounts receivable that, in our judgment, either individually or in the aggregate, do not have a significant effect on the Consortium's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Consortium's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

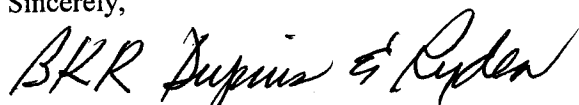
Difficulties Encountered in Performing the Audit and Board Considerations

We encountered no significant difficulties in dealing with management in performing our audit. We find two areas needing Board consideration which is outlined below:

- Under GASB 34, general fixed assets must be depreciated. The Board must adopt a capitalization policy as well as adopt lives over which the Consortium's fixed assets will be depreciated. For the fiscal year ended September 30, 2004, all assets over a cost of \$5,000 were capitalized and assets were depreciated over the following lives: towers – 20 years; computer equipment – 5 years; office and communication equipment – 10 years.
- The Consortium should record and document all policies and procedures of internal control in an operations' manual for ease of reference and to insure consistency in those policies and procedures.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Consortium's personnel during the course of the audit. If you have any question regarding the contents of this letter, please contact us.

Sincerely,



BKR Dupuis & Ryden
Flint Office